

February 12, 2019

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 886 (Huot), As Proposed to be Amended (H0886A1)

	Fund Impact			
	<u>F.Y. 2020</u>	<u>F.Y. 2021</u>	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>
			(000's)	
General Fund	(\$238,800)	(\$157,800)	(\$162,800)	(\$162,500)

Effective beginning tax year 2019.

EXPLANATION OF THE BILL

Current Law: Although the Tax Cuts and Jobs Act increased the federal standard deduction beginning in tax year 2018, Minnesota still recognizes the old federal standard deduction. For 2019, the standard deduction is \$13,300 for married joint filers, \$6,650 for married separate filers and single filers, and \$9,750 for head of household filers. Those amounts are adjusted annually for inflation.

Proposed Law: The bill creates a Minnesota standard deduction of \$15,300 for married joint filers, \$7,650 for married separate filers and single filers, and \$11,200 for head of household filers. Those amounts would be indexed for inflation beginning in tax year 2020.

REVENUE ANALYSIS DETAIL

- The House Income Tax Simulation Model (HITS 6.7) was used to estimate the revenue impact. These simulations assume the same economic conditions used by Minnesota Management and Budget for the forecast published in November 2018. The model uses a stratified random sample of tax year 2016 individual income tax returns compiled by the Minnesota Department of Revenue.
- All of tax year 2019 impact was allocated to fiscal year 2020. Other tax years were allocated to fiscal years using a standard formula.

Number of Taxpayers: About 1,832,500 returns would be affected in tax year 2019, with an average reduction in tax of \$86.

Minnesota Department of Revenue
Tax Research Division
www.revenue.state.mn.us/research/stats/Pages/Revenue-Analyses.aspx